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Intellectual Ammunition

Research and commentary for elected officials from the nation's leading think tanks.
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Potshots

Consensus: The process of avoiding the very issues that have to be solved, merely because you cannot get agreement on the way ahead.

MARGARET THATCHER

I think having black students actually graduate from college is far better than having black students be used as affirmative action tokens.

WALTER WILLIAMS

A good government remains the greatest of human blessings and no nation has ever enjoyed it.

WILLIAM R. INGE

Economists are people too smart for their own good and not smart enough for anyone else's.

ANONYMOUS

Do not trust governments more than governments trust their own people.

ANDREI SAKHAROV

Go home Yankee—and take me with you!

SIGN SEEN AT ANTI-WAR PROTEST IN INDIA

True terror is to wake up one morning and discover that your high school class is running the country.

KURT VONNEGUT

States Battle Budget Deficits

by John W. Skorburg

The 2002 mid-term elections produced nearly two dozen new governors—the largest turnover in years. None of them, however, had long to celebrate victory. Their first day on the job coincided with one of the most pressing state fiscal crises in decades.

The latest budget figures released by the American Legislative Exchange Council (ALEC) show yawning state budget deficits. California's \$34.8 billion deficit leads the nation. In total, the top 10 states are at least \$78.55 billion in debt. Total state budget deficits for fiscal years 2003-04 are now approaching \$90 billion nationwide.

"These figures are simply staggering," said Michael Flynn, ALEC's director of policy and legislation. "But what's more alarming is that few states have yet to responsibly address this self-inflicted crisis, a decade in the making, which finally hit home well over a year ago."

ALEC is the nation's largest bipartisan, individual membership organization of state legislators, with more than 2,400 legislator members representing all 50 states.

"Raising taxes or clamoring for a federal bailout is not the answer, and in fact will only perpetuate and deepen the current fiscal crisis," said Flynn. "What's required is a candid and sober evaluation of each state's medium and long-term costs of operating government. It's only by reducing the size and scope of government in strategic and imaginative ways that each state finds a way out of its woes."

STRATEGIES FOR CHANGE

Recently, ALEC and The Manhattan Institute for Policy Research released a groundbreaking report on state budgets, "Show Me the Money: Budget-Cutting Strategies for Cash-Strapped States." The report is a comprehensive evaluation of state budgets, offering 10 strategies for cutting state budget deficits, including short-, medium-, and long-term plans for reducing the cost of government.

The strategies offered by ALEC and Manhattan include reducing workforce costs, imposing broad-based spending cuts, reforming entitlement programs, selling or leasing government assets, introducing competition in service delivery, eliminating poorly performing programs, rewarding employees for saving money, using technology to slash overhead, and creating cost-cutting "brigades."

According to the National Conference of State Legislatures (NCSL) cited in the ALEC study

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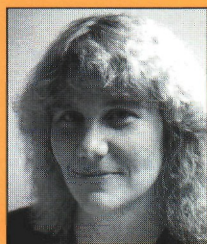
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*Telephone survey of state elected
officials conducted in May 2002 by
Wiegand Victory Enterprises.



News from the
Heartland

by Diane Carol Bast
Editor

DID YOU GET OUR CARE PACKAGE?

In mid-February, Heartland welcomed all 8,300
federal and state elected officials to the 2003 ses-
sions with a cover letter and collection of
Heartland publications. *Did you receive it?*

The Winter issue of *Intellectual Ammunition*
and February issues of *Environment & Climate*
News, *Health Care News*, and *School Reform*
News were tucked into Heartland folders and
accompanied by a letter from Heartland
President Joseph L. Bast. Finishing off the pack-
age were a postcard promoting Heartland's
Web site at **www.heartland.org** and a reply
postcard inviting address corrections and par-
ticipation on Heartland's Board of Legislative
Advisors.

If you didn't receive the package, please let
me know! I'll put one together for you and
have it sent ASAP. If you *did* receive the pack-
age, I'd love to hear your comments on it.
Either way, call me at 312/377-4000; send a
fax to 312/377-5000; or drop me an email
message at **dbast@heartland.org**.

PREFER EMAIL OVER POSTAL MAIL?

This issue of *Intellectual Ammunition* arrives as
you are up to your eyeballs in work ... and
probably overwhelmed by mail from various
interests and advocacy groups. Nobody has

enough time to read everything that's sent to
elected officials ... but perhaps you find your
email a bit easier to digest?

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Encourage your policy staff to subscribe as
well. Our goal is to get the best available public
policy research and commentary into the hands
of the right people as quickly as possible.

MARK YOUR CALENDAR!

It's not too early to mark your calendars for the
big summer gatherings of state legislators: the
National Conference of State Legislatures Annual
Meeting, **July 22-26**, in San Francisco, California;
the American Legislative Exchange Council
Annual Meeting, **July 30-August 2**, in Washington
DC; and the annual meeting of the Council of
State Governments, **October 23-25** in Pittsburgh,
Pennsylvania. We look forward to seeing you
there!

IN THIS ISSUE

The excerpt on pages 16-17 summarizes a new
Heartland Policy Study addressing the cost of
state efforts to regulate carbon dioxide emissions.

State regulation of greenhouse gases is a bad
idea. The cost of implementing such a program
could mean billions of dollars in expenses for
state governments already facing massive budget
shortfalls. The economic fallout could destroy
thousands of jobs ... for environmental benefits
that are small or even nonexistent.

The full text of the study, and "impact state-
ments" for 37 states, are available on Heartland's
Web site at **http://www.heartland.org/
Article.cfm?artID=11133**. Alternatively, contact
Heartland Public Affairs Director Greg Lackner;
he'd be happy to send you a printed copy. 

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Is California Taking the Wrong Path?

By John W. Skorburg

California's 2003 legislative session began in January, as 120 lawmakers—including 32 newcomers—were sworn in, signaling the official start of the two-year session.

Normally, the ceremonial event would give way to a month's vacation. But, because of the state's budget shortfall, lawmakers will have little time to celebrate. Gov. Gray Davis has called a special session and is expected to ask the Democrat-controlled legislature to immediately slash up to \$5 billion from the state's current \$76.5 billion general fund.

"There will be no real honeymoon period," said Assembly Speaker Herb Wesson, a Los Angeles Democrat who faces the daunting challenge of cobbling together a bipartisan coalition in his 80-member house to support budget solutions that could include new taxes and cuts to

social programs.

In many ways, the \$5 billion in cuts is the least of the problems California lawmakers will face. Even if they figure out where to trim, they will still have to deal with next year's budget ... and grim estimates of at least another \$15 billion shortfall.

Brian Wesbury, chief economist for Chicago-based bond trader Griffin, Kubik, Stevens & Thompson, says California is taking the wrong path. The state's economy, he predicts, will lag behind the national economy in future growth—making it that much more difficult to deal with future budget deficits.

"Like so many other trends, the supply-side revolution actually began in California in 1978," noted Wesbury, "when voters overwhelmingly approved Howard Jarvis's Proposition 13, which slashed property taxes by 30 percent and capped future increases. This time, however, California is moving the other way."

Davis's proposed tax increases over the next 18 months, which he says are needed to help fill the state's gaping budget hole, will "erase roughly one-half of the benefits from the (proposed) Bush tax cut for residents of California," according to Wesbury.

Because California taxpayers will benefit less from the Bush tax cut proposal than will other taxpayers in the country, the state's economy will lag behind the national economy. Fewer dollars of investment will flow into California, entrepreneurs will leave for other states, job growth will slow, and real estate prices will falter. "Cities like Austin, Boston, and other high-tech havens will benefit—provided that Massachusetts and Texas avoid tax hikes," noted Wesbury.

Although Democrats head into the new year with commanding majorities in the state Assembly and Senate, they will need to woo at least a few Republicans to their side to win the two-thirds votes needed to approve state spending plans.

As of now, GOP leaders are adamantly refusing to discuss new taxes as part of the solution, instead blaming Davis and the Democrats for spending more than they should have during California's dot-com boom years. State leaders have, however, agreed most new initiatives that would cost the state more money are likely to be shelved. "Virtually any spending programs are going to be dead on arrival," said State Sen. Jackie Speier (D-San Mateo). "It's going to be hard to justify them."

Top 10 State Deficits

1	California	\$34.8 billion
2	New York	\$10.0
3	Texas	\$9.9
4	New Jersey	\$5.0
5	Minnesota	\$4.6
6	Ohio	\$4.0
7	Massachusetts	\$3.0
8	Wisconsin	\$2.6
9	Michigan	\$2.4
10	Illinois	\$2.25

Budget Deficits

continued from page 1

states used the following actions to close budget gaps for their FY 2003 budgets: cutting spending (26), tapping state funds (23), using tobacco settlement funds (16), increasing taxes (16), tapping rainy day funds (12), and raising fees (10).

Examples of specific deficit-reducing actions noted in the ALEC study included cutting higher education spending (16 states), cutting corrections spending (14 states), tapping tobacco money (Pennsylvania and New Jersey, among others), increasing taxes (Indiana, New Jersey, Pennsylvania, and Tennessee), tapping rainy day funds (Alaska and Ohio), and raising fees (Rhode Island, Virginia, and Vermont).

"It is important to remember that no matter how successful state governments are in em-

playing short-term measures to close deficits, the seed of fiscal crisis will remain. Only by fundamentally restructuring government will state policy makers be able to contain spending growth and return accountability to state finance," notes the ALEC report. "The ten strate-

gies will help states do both."

John W. Skorburg is an economist with the American Farm Bureau Federation and member of the Board of Directors of The Heartland Institute.

FOR MORE INFORMATION...

Show Me the Money: Budget-Cutting Strategies for Cash-Strapped States.

"The causes of state deficits are clear: the recession, September 11, spiraling Medicaid costs, and profligate spending in the mid- and late 1990s. Add them all up, and you have the budgetary equivalent of a perfect storm.

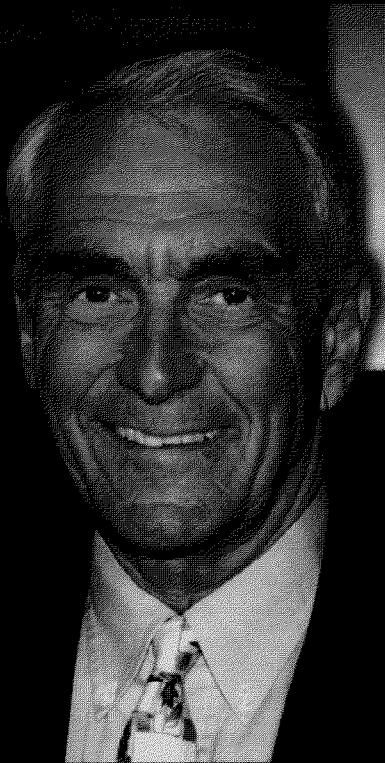
"If this gives you a strong sense of déjà vu, do not be surprised. We have been through all this before, the last time only a decade ago, during the previous recession. Unfortunately, memories

are short. Many states failed to learn one of the most important lessons from previous boom-bust cycles: spending must be contained during growth periods in order to avoid fiscal imbalances when the economy goes south, as it always does eventually." (ALEC and Manhattan Institute, November 2002, 24pp.)



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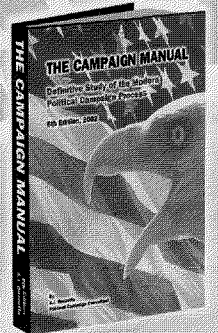
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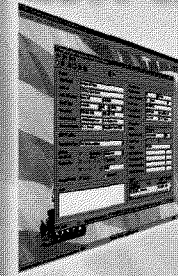
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Like the weather, the burden of mandates affecting public schools is something many talk about but few do anything about.

A classic example came a few years ago at a legislative education committee hearing during an unstructured discussion about the schools. A committee member asked a testifying superintendent what regulation or mandate he would have repealed. The superintendent couldn't think of one. The question might have caught him by surprise, but when the next four district superintendents to testify were asked the same question, they had no suggestions either.

More recently, some leading education experts were asked about studies on regulatory burdens. They were unaware of any such work. One said even raising the question was novel.

Reducing or eliminating many of the unnecessary, unworkable, ineffective, or inefficient mandates now in place would save local districts billions of dollars with no additional expenditures at all.

MILES OF RED TAPE

A school superintendent in suburban Philadelphia once said he had to comply with 1,027 mandates, 70 percent of which were unfunded. Ohio Governor, now U.S. Senator, George Voinovich estimated Ohio school administrators spent 50 percent of their time filling out federal forms, which accounted for only 6 percent of education funding there.

Arizona's chief school officer, Lisa Graham Keegan, said it took 165 of her staff, 45 percent of the total, to manage federal programs that comprised only 6 percent of her budget.

The USDoe has estimated its requirements impose 48.6 million hours of paperwork, the equivalent of 25,000 full-time employees.

REPEAL OR FUND

Those who want the federal government to do even more—such as hiring teachers or giving billions of dollars for school repair to the same school boards that have allowed the buildings

to deteriorate in the first place—might consider more effective alternatives. At the very least, if the federal government has billions of dollars to spend it could begin by paying for existing mandates it promised to support, freeing local money for other needs.

Better yet, reducing or eliminating many of the unnecessary, unworkable, ineffective, or inefficient mandates now in place would save local districts billions of dollars with no additional expenditures at all.

STATES REGULATE TOO

Many states do no better. The California school code once topped 6,000 pages. Indiana's at the time was "only" 1,250 pages, but that's a smaller state. Pennsylvania's is only about 600 pages. In Washington State the school code was one volume, roughly the size of the Seattle telephone book. Regulations for non-public schools occupied two pages.

If no two states have the same school code, how important or necessary are those requirements only one or a few states have? Why does California need 10 times as many laws, mandates, and regulations for its schools as Pennsylvania? Is the latter missing something? Is the former cluttered up with irrelevancies, nitpicking, etc?

Why should any school code specify the type and size of pictures that are to go on school walls ... an actual example?

Mandates, of course, do not come out of the blue. However unnecessary or ineffective they may be, someone (plural) proposed them, someone supported their establishment, and someone subsequently objects to their repeal.

QUESTIONS TO CONSIDER

The cause of education reform would be advanced if educators and elected officials asked the following questions:

- If only one mandate could be abolished, what should it be?
- What mandate seems to be the most unnecessary?
- What mandates are redundant, covering ... and likely confusing ... the same topic?
- What mandate is reasonable in concept but faulty in design; how could it be amended to better achieve its purpose?
- What mandate is the most needlessly expensive? Or ineffective? Or inefficient?

Education

David W. Kirkpatrick

David W. Kirkpatrick is senior education fellow for the Washington, DC-based U.S. Freedom Foundation.

The Schools and Red Tape

FOR MORE INFORMATION...

The Public Schools Come Home: Online Education Is Changing The Roles of Schools, Teachers and Parents. Fall 2002 marked the start of an important innovation in public education in Wisconsin. The first major statewide virtual school began operating from Appleton. At least 34 other states are engaged in some form of e-learning initiative. (Wisconsin Interest, Fall 2002, 6pp.)



Go to www.heartland.org and use PolicyBot to search for document #11558.

Environment

Bruce Yandle

Bruce Yandle is a senior associate of PERC—the Center for Free Market Environmentalism—and director of PERC's Mid-Term Report Card. This article was also published in the March 2003 issue of *PERC Reports*.
<http://www.perc.org>

A Poor Grade for Bush's Policies

FOR MORE INFORMATION...

Mid-Term Report Card. From agricultural chemicals to water quality, PERC's mid-term assessment of environment policy under the Bush administration is comprehensive ... and not very positive! Also available in HTML and PDF at <http://www.perc.org>. (PERC, January 2003, 108pp.)



Go to www.heartland.org and use PolicyBot to search for document #11665.

When President George W. Bush entered office, those of us who favor market approaches to environmental policy had high hopes. Some of us had served on candidate Bush's environmental advisory team, and we knew he was open to new ideas. The President recognizes that the day of command-and-control policies is over, and that environmental progress depends on market forces, property rights, positive incentives, and community action. These are the key elements of free-market environmentalism.

But when PERC—the Center for Free Market Environmentalism—took a hard look at what the President had accomplished, he barely mustered a passing grade. PERC's *Mid-Term Report Card*, issued in January 2003, gives the Bush administration a C- for environmental and natural resources policy. Supporting the one-page report card is a 116-page study (see <http://www.perc.org>) that analyzes conditions in 16 areas, including air quality, ocean fisheries, federal land, climate change, chemical releases, Superfund, endangered species, and others.

Our team of policy analysts included experts who follow these issues closely, including PERC associates, but also others from organizations such as the Competitive Enterprise Institute and Mercatus Center. PERC Senior Associate Jane S. Shaw was my coeditor of the *Report Card*.

DISAPPOINTMENTS ABOUND

Where we had expected most progress was the management of public lands, but he got a C-. Interior Secretary Gale Norton's upbeat rhetoric has not been backed by policies of local control or tradeable rights—such as allowing willing ranchers to sublease their grazing permits to environmental groups who can then retire them. It shocks us that Bush is the first President to ask Congress for \$900 million per year to expand the federal estate—when the National Park Service and other land agencies can't manage the land they have. And it saddens us that Bush's support for exploration in the Arctic National Wildlife Refuge fizzled because he couldn't arrange the right incentives to win over environmentalists. (He got a C on ANWR.)

Air quality policy, mired in old-style regulations and costly standards that generate no net benefit, got a D. Market tweaks in the Clean Skies Initiative didn't justify the additional 70 percent reduction in emissions from power plants. We are not in favor of markets just for the sake of having them around.

The administration's failure to cancel the

Clinton administration's midnight regulation on arsenic—an unnecessary standard that hurts small, poor western towns—got a D. And forcing small companies to report on minor releases of the metal lead earned an F.

A FEW BRIGHT SPOTS

But there are some bright spots. Just before the *Report Card* went to press, the Environmental Protection Agency issued a Water Quality Trading policy that could usher in an era of cost-effective and cooperative pollution cleanup. Under this plan, an environmental

Mid-Term Report Card Overall Grade C-

Agricultural Chemicals	B
Air Quality Regulation	D
Arctic National Wildlife Refuge	C
Brownfields & Superfund	C-
Chemical Plant Security	B
Drinking Water & Arsenic	D
Endangered Species	C
Global Climate Change	C
Grazing on Public Lands	C-
Ocean Fisheries	D
Persistent Organic Pollutants	D
Public Lands Management	C-
Regulation of Lead Releases	F
Regulatory Review	B
Water Allocation	C
Water Quality	B

group can protect a river by buying up a company's right to discharge pollution and putting it in a "lock box." The water quality grade rose to a B. And Bush received a B for strengthening the office that watches over regulation. But overall, the picture for the first two years is disappointing.

We know that making fundamental change is difficult. Businesses and bureaucracies that invested in yesterday's regulatory structure want to keep it in place. Environmental activists who profit by promoting doom apparently do not want to endorse policies that make it easier and less costly to forestall those calamities.

But Bush has become politically stronger since November 2002, and so we remain optimistic. We'll check back in two years.

The applause was virtually unanimous. President Bush made several rousing statements about health care in his State of the Union address, and Congress responded with vigorous hand clapping—10 times in all, and on both sides of the political aisle.

But the subtle discrepancy within his remarks was probably lost on the American public. The President declared that cost and coverage problems of American health care “will not be solved with a nationalized health care system that dictates coverage and rations care.” But then he claimed “all seniors should have the choice of a health care plan that provides prescription drugs.”

Why is this discrepant? Because the President offered drug coverage only to senior citizens who agree to join an HMO and leave their fee-for-service coverage behind. HMOs specialize in dictating coverage and rationing care. Yet that’s exactly what the President said would not solve the nation’s health care problems.

*Enticing the elderly
with drug coverage is
Congress’s latest attempt to
corral senior citizens into
HMOs without committing
political suicide.*

HMOs FOR ALL

Enticing the elderly with drug coverage is Congress’s latest attempt to corral senior citizens into HMOs without committing political suicide.

Thirty years ago, a Republican President and a worried Congress passed the Health Maintenance Organization Act of 1973 to deal with soaring Medicare costs. Enrolling senior citizens was their long-term goal, but to ensure stability of the virtually untried and untested HMO, the privately insured had to join first. So Congress forced all but the smallest employers to offer HMOs, and provided HMOs with \$375 million for planning and start-up expenses. And in they came, by the millions: employees and their family members.

But most seniors have refused to join the ranks of the managed, and Congress has been stymied by the petulant attitude of participating HMOs. Approximately 6 million seniors have enrolled in the HMO-based Medicare+Choice program. But several HMOs dropped out of the program and out of seniors’ lives after Congress refused to meet their funding demands. News travels fast and seniors are listening.

Another option is available, but Congress has been loathe to pursue it. HMOs could be designated the sole delivery mechanism for Medicare

benefits, forcing seniors to enroll. However, the political risk of such coercion is enormous. Most members of Congress depend on the wealthy elderly to fill their campaign coffers. Therefore, a better inducement has long been sought.

Enter George W. Bush. This popular President, in a time of impending war and national distraction, has offered senior citizens what they want and what Democrats have been bullying Republicans to offer for years—Medicare drug coverage—with one small caveat. Seniors must be willing to hand over control of all their health care decisions to a managed care corporation: an HMO.

But even some in the President’s own party are balking at the idea. Charles Grassley (R-Iowa) said in a *Hearst News Service* report, “All seniors should have access to affordable prescription drug coverage, regardless of the choice they make.” Senate Minority Leader Tom Daschle (D-South Dakota) agreed, saying, “America’s seniors should never be forced to choose between the doctor they trust and the prescriptions they need.”

RIFE WITH PROBLEMS

The President’s plan for Medicare drug coverage has several other serious problems:

1) So-called HMO drug coverage does not guarantee access to needed or preferred medications. Senior citizens may still be forced to pay out of pocket for medications not considered medically necessary by the HMO.

2) The medically vulnerable with high prescription needs could find their access to other needed health care services jeopardized.

3) The premise of HMOs violates the promise of Medicare: “Nothing in this title [Medicare] shall be construed to authorize any Federal officer or employee to exercise any supervision or control over the practice of medicine or the manner in which Medical services are provided ...” (Title 18, signed by President Lyndon B. Johnson in 1965). HMOs exist to control the practice of medicine.

4) HMOs are not available to seniors who are willing to exchange their freedom for drug coverage. According to St. Paul economist Ed Lotterman in the *St. Paul Pioneer Press* (1/30/03), rural areas have fewer HMOs because there are fewer large employers that offer health benefits, and a larger percentage of the population is self-employed.

5) The potential for congressional dependency on HMOs is real. With 77 million baby boomers set to enter Medicare, HMOs could attain unprecedented bargaining power for taxpayer dollars as lawmakers attempt to keep HMOs from exiting the program—and leaving Congress with egg all over its face.

Health Care

Twila Brase

Public health nurse Twila Brase is president of Citizens’ Council on Health Care.
<http://www.cchconline.org>

Medicare Reform: Seniors Beware

FOR MORE INFORMATION...

Debate: Is the Public’s Anger Toward Managed-Core Organizations Justified?

California Senator Barbara Boxer says yes, reform is needed because in their zeal to cut costs, HMOs have cut corners. Karen Ignani, president and CEO of the American Association of Health Plans, says *no*, because managed care is working. (*Insight*, June 1998, 4pp.)



Go to www.heartland.org and use PolicyBot to search for document #2066.

Law

Dana Berliner

Dana Berliner is a senior attorney at the Washington, DC-based Institute for Justice.
<http://www.ij.org>

Costco's Corporate Welfare

FOR MORE INFORMATION...

Government Theft: The Top 10 Abuses of Eminent Domain. Eminent domain is a despotic power. Acting more like real estate agents than public servants, government increasingly uses the eminent domain power to condemn property for private purposes. (Institute for Justice, March 2002, 14pp.)



Go to www.heartland.org and use PolicyBot to search for document #8756

With 400 stores worldwide, millions of members, and \$38 billion in revenues last year, Costco is one of the nation's largest retailers. Costco grew thanks to America's free-market system and constitutionally enshrined respect for private property.

Yet Costco's management continually tramples the rights of others in order to save itself time and money. Indeed, tracking published reports on the abuse of eminent domain, one finds Costco is the leading beneficiary of this kind of corporate welfare, having taken government-confiscated land three times more often than its next rival. Several examples illustrate Costco's actions:

LANCASTER, CALIFORNIA

A federal court found Costco threatened the city that it would leave unless the city condemned Costco's neighbor, 99 Cents Only. On June 25, 2001, the court held the only purpose of the condemnation was "to satisfy the private expansion demands of Costco." Because that is not a public use, the court held the condemnation violated the Constitution.

PORT CHESTER, NEW YORK

The village condemned several small, locally owned businesses to make way for a shopping center anchored by Costco. The entire shopping center displaced hundreds of apartment residences, one of the largest employers in the village, specialty retail stores, and local restaurants. Costco sits on land that was once shared by a number of successful small businesses run by hard-working immigrants.

CYPRESS, CALIFORNIA

The City of Cypress sought to condemn the Cottonwood Christian Center for a Costco-based retail development that would generate tax revenue, unlike the tax-exempt church facility. The church had carefully assembled, from willing sellers, all the land it needed for its new center. The city and Costco wanted the benefit of that assembly, without doing any of the work. A federal judge has enjoined the condemnation.

IN ITS DEFENSE

"Perhaps dozens of times," the company recently admitted in a letter to a shareholder, Costco developed stores on private property taken by local governments through eminent domain.

Costco offers three defenses for using eminent domain.

First, Costco claims, it does not violate the law—cities take property all the time and it is perfectly legal. Of course, this claim is not entirely accurate. Some states have statutes that permit condemnations for "economic develop-

ment" and then transfers to private parties, but the Constitution always trumps state statutes. That is why two federal courts in the last two years stopped cities from taking land for Costco because the condemnations violated the constitutional requirement that property can be taken only for a "public" use.

Costco also defends its eminent domain policies on the ground that the development projects are sometimes successful, generating tax dollars and jobs for the municipality. Those benefits are, however, beside the point. Any business replacing a home will create more jobs; a larger business replacing a smaller one will certainly create more taxes. If such justifications were valid reasons to allow the forced transfer of land from one private party to another, then no American's property would be safe from such confiscations at the behest of the politically powerful.

Costco also claims that if it failed to take advantage of eminent domain, it would not be able to compete with other large retailers that also have no scruples about building on land taken from someone else. Certainly Costco is

Instead of hiding behind excuses, the company should renounce using eminent domain as a way of getting property for its stores.

correct that many private businesses are willing to take other people's land. As the Institute for Justice will document in a soon-to-be published report, hundreds of projects between 1998 and 2002 used or threatened eminent domain for private parties. In total, more than 5,000 properties were taken or threatened. And these numbers significantly underestimate the problem: They come from a survey of news stories, and most condemnations go unreported.

But Costco has an opportunity to do the right thing, to be a leader in honorable business practices as well as retailing profits. Instead of hiding behind excuses, the company should renounce using eminent domain as a way of getting property for its stores. That is exactly what Susan Watson, a 500-share investor in Costco, asked the company to do at its recent shareholders' meeting. By rejecting this corporate welfare, the company would show its respect for the principles that have made it possible for Costco to succeed—property rights and enforcement of our Constitution.



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Privatization

Geoffrey F. Segal

Geoffrey F. Segal is director of privatization and government reform policy at Reason Foundation and a research fellow at the Davenport Institute at Pepperdine University's School of Public Policy.
<http://www.rppi.org>

A Tale of Two Cities

FOR MORE INFORMATION...

Stockton Water Privatization

Myths Dispelled. In an easy-to-read table format, dispels 10 myths about the water privatization effort in Stockton, California. (Reason Public Policy Institute, no date, 4pp.)



Go to www.heartland.org and use PolicyBot to request document #11670.

The city of Stockton, California just approved a 20-year, \$600 million partnership with OMI-Thames Water to operate the municipality's water, wastewater, and stormwater utilities. The partnership will save city residents \$175 million, greatly improve the infrastructure, and avoid a double-digit rate increase.

Activist groups including Ralph Nader's Public Citizen pressured city officials to reject the contract. However, the debate ultimately boiled down to two choices: privatize, or raise water rates significantly while paying out huge fines. The city is not in compliance with current environmental regulations and its permit will soon expire. One of the components of the contract with OMI-Thames is a capital-improvement program that guarantees the city's infrastructure will be brought up to current environmental standards. All of the risk and obligation will fall on the contractor if it fails to do so.

The state's budget woes threatened to slow the flow of funds to Stockton, which realized it could not make the necessary improvements and keep water rates down. Stockton ran the most open, public, and lengthy review process that I, and the city's privatization consultants, have ever seen. Opponents were allowed to question every aspect of the contract, and they could find no problems with it.

The Concerned Citizens lobbying group played an important role by putting the city and mayor through rigorous question-and-answer sessions. The many contract study sessions they prompted have assured us the city has done its homework and is entering into an agreement that will benefit taxpayers.

Unfortunately, despite its close involvement in the process, Concerned Citizens continues to float misinformation and half-truths. It is relying on fear, uncertainty, and doubt, not facts. Its members talk about random rate hikes even though the city, not the contractor, is ultimately responsible for setting the rates. They talk about selling assets, when the city is in fact not doing that: It is simply entering into an agreement to operate the facilities. The city will retain ownership of all assets.

ATLANTA, GEORGIA

Halfway across the country, the city of Atlanta recently cancelled a contract with United Water for operation of its water system. Ultimately citing poor performance and lower cost savings than promised, the two parted ways in January.

A couple of important details got lost in the shuffle. United's performance, while far from perfect, was far superior to the city's track

record of water supply operations before privatization. Moreover, while the city released an audit stating cost savings were half what they expected, that happened because "the savings were being used to subsidize other government functions." How is this a failure of privatization? The city had been appropriating more than \$40 million a year before privatization, but paid United Water only \$21.5 million—savings of \$18.5 million a year.

The city's plan to resume water supply operations itself will essentially double the cost of service to consumers. The new plan calls for expenditures of \$41.1 million for the new in-house operations (\$49 million if accounting for costs to other city departments). Furthermore, the city has backed itself into more long-term obligations by hiring back more than 300 employees, whose pensions will be paid for years to come. The city also must now "find" the money to continue to pay for the "subsidize[d] other government functions." With no more cost savings in sight, where will that money come from? Either higher fees or additional taxes.

Let's revisit the issue one year from now, when I suspect residents from Atlanta will be pining for the days of United Water—reliable, quality, efficient service—while the citizens of Stockton will be enjoying exactly that.

Of course, money wasn't the issue in revoking the contract—quality was the concern. But when United Water requested additional money to meet the performance the city wanted, it was shunned ... even though United's request was less than half of the spending the city now faces.

Will the city receive better service now that it is in-house? That remains to be seen, but one thing is certain: Ratepayers will be paying a lot more for it.

Let's revisit the issue one year from now, when I suspect residents from Atlanta will be pining for the days of United Water—reliable, quality, efficient service—while the citizens of Stockton will be enjoying exactly that. 

In February, the Office of Management and Budget (OMB) and the White House Council of Economic Advisors (CEA) released new draft guidelines to agencies for conducting regulatory analysis.

In most cases, the guidelines follow generally accepted economic principles and are similar to guidelines issued in 1988 by the Reagan administration and in 1996 and 2000 by the Clinton administration. They require (1) a statement of the need for the proposed action, (2) an examination of alternative approaches, and (3) an evaluation of the benefits and costs of the proposed action and the main alternatives identified by the analysis.

The new guidelines provide more detailed guidance in several key areas, including the conduct of cost-effectiveness analysis as well as benefit-cost analysis, and treatment of uncertainty using formal probabilistic analysis. They encourage agencies to be transparent in their analysis and assumptions so reviewers can understand and reproduce results. The guidelines should ensure greater consistency across agency analyses, and should facilitate more accurate annual reporting of regulatory costs and benefits.

[The new guidelines] encourage agencies to be transparent in their analysis and assumptions so that reviewers can understand and reproduce results.

INCONSISTENT WITH FREE MARKET

Despite these good qualities, the draft also takes some curious turns that seem inconsistent with an administration philosophy that embraces markets and limited government.

For example, the draft is arguably less demanding than either the Reagan or Clinton guidelines in its requirement that, before considering regulatory intervention into private markets, an agency must first identify a significant market failure (why the private sector can't address the issues without regulation). The new guidelines cite "other possible justifications" for regulatory action, including "promoting privacy and personal freedom." It provides no example of when regulation would be necessary to promote personal freedom.

The draft also suggests that "harmonization of U.S. and international rules may require a strong Federal regulatory role." What this means is unclear. Would the new guidelines endorse restrictions on promising new therapeutic or agricultural products to "harmonize" with European

Union members who resist biotechnology techniques? U.S. foreign policy ought to stress our objective of exporting freedom, not importing government regulations.

The draft guidelines venture into some controversial areas. On "ethical grounds," yet without any economic or empirical rationale, the document advocates applying discount rates as low as 1 percent for measuring long-term (inter-generational) benefits and costs.

Looking hundreds of years into the future is difficult, so let's examine this approach by looking to the past. If we could go back in time, would we really ask our (relatively poorer) ancestors to set their money aside at a 1 percent return for our benefit? Indeed, would we even be better off if they had done so? They would have had to forsake many higher-return investments to make this "investment in the future" and as a result, our standard of living would likely be lower today, even with the "inheritance" they left us invested at a 1 percent rate.

Rates of return that are required for private investments are already much higher than those routinely accepted by government agencies, in part because of the burden of taxation. President Bush's proposed tax reforms make some effort to correct this harmful distortion. But those reforms will come to naught if government agencies are permitted to justify proposals that return benefits of only 1 percent decades or centuries into the future.

Such low-value government-mandated projects will displace ever greater amounts of private investment, raising the question of how the CEA can forecast long-term economic growth in excess of 1 percent annually, when it is so willing to displace the high-value private investment that drives economic growth.

FLAWED "CONTINGENT VALUATION"

The draft, like the Clinton guidelines before it, supports the use of the controversial benefit-valuation technique known as contingent valuation (CV). Noting CV may be the only method available to estimate "non-use" values, the guidelines attempt to address its problems by enumerating "best practices" for conducting CV. But, as Boudreaux, Meiners and Zywicki (1999) show, the practical problems of CV cannot be resolved with better surveys because the technique itself is conceptually flawed.

CV studies rest on the assumption that prices are absolute and static, when in reality they are relative and dynamic. They liken a reliance on CV because it is "the only analytical approach available" to the old joke about the drunk who looks for his car keys under the streetlight, because the light is better there than where he dropped them.

Regulation

Susan E. Dudley

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<http://www.mercatus.org>

New Guidelines Released for Regulatory Analysis

FOR MORE INFORMATION...

The Regrettable Necessity of Contingent Valuation. At a February 2002 conference on "the contingent valuation of culture," sponsored by the Cultural Policy Center at the University of Chicago, law professor Richard Epstein addresses the controversial notion of trying to set the value of something by using survey data. (Cultural Policy Center, February 2002, 13pp.)



Go to www.heartland.org and use PolicyBot to search for document #11664.

Taxes

Scott A. Hodge

Scott A. Hodge is executive director of the Tax Foundation.

<http://www.taxfoundation.org>

Is The Bush Tax Plan Unfair?

FOR MORE INFORMATION...

Who Pays the Federal Income Tax?

Data from the IRS show that in 2000, the 25 percent of taxpayers who earned the most paid more than five out of every six dollars in taxes collected, or 84.0 percent. (Tax Foundation, November 2002, 4pp.)



Go to www.heartland.org and use PolicyBot to search for document #11671.

Like you, I get a lot of junk e-mail. But probably no message has bounced back and forth among people interested in taxes more often than the parable below. It puts our tax system, and President Bush's tax cuts, in terms everyone can understand.

Despite my attempts to identify the author, he or she remains anonymous. (It is not, as some e-mails have claimed, an economics professor in South Dakota.) So while another urban legend lives on, I want to share this story with you and relate it to some of the research we have done recently on the income tax—who pays and who doesn't.

DINNER FOR TEN: WHO PAYS?

Suppose that every day, 10 men go out for dinner. The bill for all 10 comes to \$100. They decided to pay their bill the way we pay our taxes, so they divided the bill like this:

The first four men—the poorest—would pay nothing. The fifth would pay \$1, the sixth \$3, the seventh \$7, the eighth \$12, the ninth \$18, and the tenth man—the wealthiest—would pay \$59.

One day, the restaurant owner threw them a curve (in tax language, a tax cut).

"Since you are all such good customers," he said, "I'm going to reduce the cost of your daily meal by \$20."

The group still wanted to pay their bill the way we pay our taxes. So the first four men were unaffected. They would still eat for free. But what about the other six—the paying customers? How could they divvy up the \$20 windfall so that everyone would get his "fair share"?

The six men realized that \$20 divided by six is \$3.33. But if they subtracted that from everybody's share, then the fifth man and the sixth man would end up being PAID to eat their meal.

So at the restaurant owner's suggestion, they arrived at this new distribution: the fifth man paid nothing, the sixth pitched in \$2, the sev-

enth paid \$5, the eighth paid \$9, the ninth paid \$12, leaving the tenth man with a bill of \$52 instead of his earlier \$59. Each of the six was better off than before. And the first four continued to eat for free.

But once outside the restaurant, the men began to compare their savings. "I only got a dollar out of the \$20," declared the sixth man, then, pointing to the tenth. "But he got \$7!" "Yeah, that's right," exclaimed the fifth man, "I only saved a dollar, too. It's unfair that the wealthy get all the breaks!"

"Wait a minute," yelled the first four men in unison, "We didn't get anything at all. The system exploits the poor!"

The nine men surrounded the tenth and beat him up. The next night he didn't show up for dinner, so the nine sat down and ate without him.

But when it came time to pay the bill, they discovered, a little late, what was very important. They were \$52 short of paying the bill!

LESSON FOR TODAY

And that, in a nutshell, is how the "class warfare" debate over our income tax system works. Like all e-mail stories, the numbers aren't exact, but they're not far off either.

The people who pay the highest taxes get the most benefit from a tax cut. We don't have to feel sorry for them because they earn a lot too, but a fair income tax cut goes to people who pay income taxes. That may seem obvious, but it's not usually reported that way.

When you read low estimates of how much the President's new tax plan would benefit typical taxpayers, the trick is that non-payers are included. Indeed, this year, 35.8 million tax filers (representing 69.6 million people) will have a zero tax liability. That is 26.7 percent of the roughly 133 million expected tax returns this year. The Bush plan would take 3.8 million more tax filers off the tax rolls, and that number shrinks with every new tax bill.

Who Are the Non-paying Tax Filers?

- 46.7 percent, or 16.7 million, claim the child credit.
The total number of people represented by these tax returns is 55.4 million.
- 74 percent, or 26.5 million, benefit from the Earned Income Credit.
- 23 percent, or 8.3 million, are single individuals.
- 5.6 percent, or 2 million, are childless couples, either senior citizens or working couples.
- 12 percent, or 4.3 million, have some business income (Schedule C).

Source: Tax Foundation, 2003

How many movie studios would be willing to spend multiple-millions of dollars on a blockbuster film if other studios could copy it upon release and send it to the video rental stores under their own label?

Would J.K. Rowling even try to write another Harry Potter novel if other publishers could print their own editions of the book, perhaps in paperback, and sell it for a lot less money, in part because they wouldn't pay the author any royalties?

Intellectual property—something that is a creative work, created in the mind of someone or a group of people—is still property.

People whose homes have been broken into, their possessions stolen, feel violated; people whose intellectual property has been stolen feel no less violated.

The technologies of today make it increasingly easier to transfer intellectual property from one person to another. The Information Age and the New Economy are forcing us to

*People whose homes
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rethink property rights. What kinds of "things" do people have a right to call their property? To what kind of compensation are they entitled if someone takes that property? These questions are not easily answered.

This country has a long history of recognizing intellectual property. Patent protections, for example, were among the first laws enacted by the First Congress in 1790. The Constitution authorizes patent protection as a way to "promote the progress of science and useful arts." The Founders understood patent protection provides the incentives necessary to encourage companies and individuals to keep inventing, and to invest in commercializing the invention.

What patent laws have done for pharmaceuticals and computer hardware in the U.S., copyright laws have done for music, film, publishing, and software. We lead the world in these industries ... because in the United States, creators own their intellectual property and have the right to profit from it. Take away

or diminish that right and you will soon have no intellectual property to steal.

ATTACKING INTELLECTUAL PROPERTY

U.S. protections for intellectual property are under attack on several fronts.

South Africa is one example. Its government—and many liberal activists in the U.S.—claim the people of South Africa are being "held at ransom" by U.S. pharmaceutical companies that refuse to cut prices for their AIDS drugs. Why, do you suppose, have none of these innovative, technologically driven pharmaceutical companies grown in South Africa? Look no further than the protection of intellectual property. And what, do you suppose, will happen to the U.S. pharmaceutical industry if it is prevented from profiting from the billions it spends on research and development every year?

On another front, former Vice President Al Gore wants to make it more difficult for pharmaceutical firms to get patent extensions. He supports compulsory licensing of U.S. intellectual property, which would allow foreign interests to exploit protected property without getting permission from the owner.

And in the U.S. Senate, several bi-partisan proposals for restricting patent protections are under consideration. All end in the same wrong-headedness: government meddling in the free market, and specifically in the world of technology.

BAD FOR THE ECONOMY

Intellectual property represents a huge slice of the U.S. economic pie. Demand for these products in the international marketplace is growing more rapidly than demand in the U.S. itself. In the short term, proposals to restrict the intellectual property rights of pharmaceutical manufacturers and similar firms will have a devastating effect on the economy, at a time we can ill afford it.

In the long run, wholesale erosion of property rights will mean irreparable damage to the most innovative and creative industries that drive our economy. In a world where one cannot profit from ideas or inventions, little incentive exists to continue.

The United States has a long history of opposition to government takeover of industry. By failing to protect intellectual property rights, we turn our back on that history, allowing a power grab of not just a company, or even a single market sector, but of the very foundation of economic growth and innovation.

Doing so will leave this country—and the world—substantially poorer, not just in the pocketbook, but intellectually as well. 

Technology

Bartlett Cleland

Bartlett Cleland is director of the center for technology freedom at the Institute for Policy Innovation (IPI).
<http://www.ipi.org>

The Importance of Intellectual Property Rights

FOR MORE INFORMATION...

Prescription Drug Prices and Profits.

Pharmaceutical manufacturers are under attack by those who seek to exploit the industry for political purposes. Some aim to establish a government-run health care system, while others simply want votes and campaign contributions from those with a grudge against the industry. (Institute for Policy Innovation, January 2003, 2pp.)



Go to www.heartland.org and use PolicyBot to search for document #11542.

Welfare

Robert Rector & Patrick F. Fagan

Robert Rector and Patrick F. Fagan are coauthors of a Heritage Foundation Backgrounder, "The Continuing Good News about Welfare Reform, from which this essay is excerpted. <http://www.heritage.org>

The Good Economy Versus Welfare Reform: Who Gets the Credit?

FOR MORE INFORMATION...

The Continuing Good News about Welfare Reform. The welfare reform legislation signed by former President Bill Clinton in 1996 has been effective in meeting each of its goals, despite alarmist predictions that it would increase poverty, hunger, and other social ills. (The Heritage Foundation, February 2003, 15pp.)



Go to www.heartland.org and use PolicyBot to search for document #11672.

When welfare reform was enacted, liberal opponents predicted it would yield sharp increases in poverty even in good economic times; the effects of reform during a recession were expected to be disastrous. To date, those predictions have proven erroneous.

Welfare caseloads have, up to now, declined during the current recession. That's good news, though a note of caution is warranted. The effects of a recession in increasing welfare dependence may continue for several years after the onset of the recession. Thus, it is possible Temporary Assistance to Needy Families (TANF) caseloads will rise during 2003. However, recent trends strongly suggest that, if TANF caseloads do rise in 2003, the increase will be quite small when compared to increases spurred by prior recessions.

Overall, the health of the economy in the mid and late 1990s did contribute to positive changes in welfare dependence, employment, and poverty. It is very unlikely, for example, that dramatic drops in dependence and increases in employment would have occurred during a prolonged recession.

However, it is also certain that good economic conditions alone would not have produced the striking changes that occurred in the late 1990s. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

ECONOMY VS. REFORM

Historically, periods of economic growth have not resulted in lower welfare caseloads. During eight periods of economic expansion prior to the 1990s, not one led to a significant drop in the Aid to Families with Dependent Children (AFDC) caseload. Indeed, during two previous economic expansions (the late 1960s and the early 1970s), the welfare caseload grew substantially. Only during the expansion of the 1990s did the caseload drop appreciably.

How was the economic expansion of the 1990s different from the eight prior expansions? The answer is welfare reform.

The national TANF decline has slowed appreciably during the current recession, which began in April 2001. Critics of reform might argue this shows the economy has been the dominant factor in the reduction of dependence.

While it is true the slowdown in the economy is affecting the decline in caseload, it is important to note the vast difference in trends before and after welfare reform. Prior to the mid-1990s, the AFDC caseload remained flat or rose during economic expansions and generally rose to a substantial degree during recessions. Since

welfare reform, the welfare caseload has plummeted downward during good economic times and declined more slowly during the recession.

Thus, while the state of the economy does affect AFDC/TANF caseloads, the difference in caseload trends before and after reform is enormous. This difference is clearly due to the impact of welfare reform policies.

STATE BUDGET RECESSION

The rate of caseload decline varies enormously among the 50 states. If improving economic conditions were the main factor driving down caseloads, the variation in state reduction rates should be linked to variation in state economic conditions. On the other hand, if welfare policies are the key factor behind falling dependence, the differences in reduction rates should be linked to specific state welfare policies.

Dr. June O'Neill, former director of the Congressional Budget Office, recently examined changes in welfare caseload and employ-

Good economic conditions alone would not have produced the striking changes that occurred in the late 1990s. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

ment from 1983 to 1999. Her analysis shows that in the period after the enactment of welfare reform, policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence. By contrast, economic conditions explained only about one-quarter of the changes in employment and dependence. Substantial employment increases, in turn, have led to large drops in child poverty.

Overall, the health of the economy in the mid and late 1990s did serve as a positive background factor contributing to positive changes in welfare dependence, employment, and poverty. It is very unlikely, for example, that dramatic drops in dependence and increases in employment would have occurred during a prolonged recession. However, it is also certain that good economic conditions alone would not have produced the striking changes that occurred in the late 1990s. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

Transportation Choice: Politics Versus Mobility

by Dennis Polhill

The Texas Transportation Institute produces an annual report on traffic congestion nationally. According to TTI, congestion cost the U.S. economy \$68 billion in 2000. This is more than enough money to add an additional lane to every interstate highway in the United States in each direction. Less extreme proposals could instantly eliminate all traffic congestion. The reason traffic congestion exists is political.

Americans are patient and tolerant. We trust elected officials to be honest, conscientious, and diligent; generally, they are. The time grows closer when tolerance for traffic congestion will cease. Perhaps the many failed tax measures in the November 2002 election are a sign of how thin patience is growing. To fix traffic congestion, systemic and political problems must be attacked at their roots.

First, transportation finance is collectivized. Taxes are put into a big pot so smart guys can do the right project in the right place at the right time. The theory sounds good, but this Soviet-style model has failed miserably in every trial. Expecting a different result is a triumph of hope over experience. Wise public policy recognizes this failing and seeks to decentralize planning by employing market-driven incentives.

Second, because the bosses of the smart guys are politicians, transportation inevitably becomes politicized. Colorado politicians have determined that nearly 60 percent of Denver-metro transportation funding over the next 20 years will go to transit. This outlay is expected to increase transit's market share from a measly 1.53 percent to just 2.23 percent of total trips. This policy means traffic congestion and mobility will become much worse. The politicization of transportation leads to the misapplication of limited resources.

Third, the Transportation Industrial Complex—the contractors, consultants, suppliers, and bureaucrats whose survival hinges on sustaining the status quo—resists change. Combined with the demagoguery of special interest groups and government agencies, not bound by service or truth, this Complex Plus makes up a formidable political force.

Fourth, some interests intend harm. Damaging the nation's transportation system is just "collateral damage" incurred enroute to their mission. Ray Barnhart, former head of the Federal Highway Administration, reflected recently on his 1991 recommendation to President Bush to veto federal transportation legislation: "If ISTEA becomes law ... politics, not engineering principles will determine. ... Congress has given official standing (to groups) not interested in transportation per se, but rather in gaining control of transportation programs in order to require ... a social agenda."

OUT OF CRISIS, OPPORTUNITY

There is hope! Reform often comes as a byproduct of catastrophe. "A transportation crisis is brewing. Commerce will snarl, costing billions," said the November 27, 2002 *Kiplinger Letter*. By 2009 there will be a "12 percent slower average road speed and about a 10 percent increase in the average delay."

Tax subsidies to institutions yield bigger, more bureaucratic, less accountable, and less efficient institutions. Conversely, subsidies to individuals, when appropriate, empower consumers and create accountability, choice, market growth, competition, lower prices, and innovation. Proof is in the success of the food stamp and G.I. Bill programs.

When groups such as the Progressive Policy Institute, an arm of the Democratic Leadership Council of the Democratic Party, begin to suggest that, "Our nation's surface transportation system is broken" and fixes must "harness market forces," then a convergence of thought has begun. If the contemplative elements of both the left and right concur, but the politicians continue to refuse to lead, then is this because a solution might diminish their importance?

When projects like converting the I-25 High Occupancy Vehicle lanes to High Occupancy Toll lanes (mandated in 1999 by Senator John Andrews' Senate Bill 88) would do no injury, while relieving some traffic congestion and raising revenue, yet are stalled for years by governments, the true agenda of bureaucrats is revealed. Do RTD and the Federal Transit Administration perceive that a cheap and functional method of solving traffic congestion without tax increases might jeopardize their goal of more taxes and bigger bureaucracies?

Government monopoly of transportation is failing. The sooner this failure is recognized, the sooner leaders can implement innovative systems to increase mobility, job growth, and commercial viability. Those who seek to diminish mobility, strive for the impossible and the undesirable.

The "transportation choice" movement has started. As the term "transportation choice" becomes part of the lexicon, intelligent debate over how to implement and balance the wide variety of alternative possibilities will commence. Let the debate over "transportation choice" begin. 

Dennis Polhill is a senior fellow at the Independence Institute.
<http://www.i2i.org>

*The reason traffic
congestion exists
is political.*

State Greenhouse Gas Programs: An Economic and Scientific Analysis

by Joseph L. Bast, James M. Taylor J.D., and Jay Lehr Ph.D.

In February 2003, The Heartland Institute released *Heartland Policy Study* No. 101, "State Greenhouse Gas Programs: An Economic and Scientific Analysis." The complete 80-page report is available by mail for \$20, pre-paid, from The Heartland Institute. The full text in Adobe Acrobat's PDF format is available for free at The Heartland Institute Web site, www.heartland.org.

State greenhouse gas programs aimed at reducing emissions to 7 percent less than 1990 levels could cost the average state government \$3.2 billion in direct expenses and lost revenues, or 28.6 percent of an average state government's 2001 revenues. Consumers and businesses would have to pay even more: approximately \$10,000 a year per household in lost income and higher prices. The benefits of reducing emissions are likely to be nonexistent; even worst-case scenarios suggest benefits are an order of magnitude less than the expected cost. The scientific basis of global warming theory is too uncertain to justify greenhouse gas reduction efforts. Policymakers should direct their efforts at encouraging sequestration and adaptation and repealing laws that discourage energy conservation.

1. MANY STATES ARE ATTEMPTING TO REDUCE GREENHOUSE GAS EMISSIONS.

Twenty-five state legislatures considered bills in 2002 that would seek to reduce anthropogenic (man-made) emissions of gases (typically carbon dioxide) thought to contribute to "global warming," a possibly destabilizing warming of the Earth's atmosphere. Four states now have laws that cap carbon dioxide emissions from utilities, and 13 require utilities to provide a specific percentage of their power generation from renewable sources by specified dates. Programs in other states aim to reduce emissions from transportation or to encourage sequestration (removing carbon dioxide from the air and storing it underground).

2. EXISTING GREENHOUSE GAS PROGRAMS ARE EXPENSIVE AND WOULD BE DIFFICULT TO REPLICATE.

New Jersey's program highlights the immense cost of reducing carbon dioxide emissions. The state's tax on utility bills costs residents and businesses some \$358 million a year, or \$55 for every ton of greenhouse gas emissions averted. Other costs include the higher cost of energy from alternative sources and the loss of jobs and income due to "leakage" of economic activity to other states and countries.

Oregon and New Jersey were able to cap greenhouse gas emissions from utilities because of their unusual circumstances: Oregon has large hydroelectric resources, and New Jersey was able to increase its reliance on nuclear power. Neither solution seems sustainable. States without significant hydroelectric or nuclear power resources probably would regret following the lead

of these two states. California's effort to reduce emissions from cars and trucks is unlikely to reduce emissions significantly, would cost up to 50 times as much as alternative methods, and probably violates federal law.

The deceptive manner in which a renewable energy mandate was adopted in Texas and alternative transportation schemes were launched in California and Georgia suggests the public is opposed to paying higher prices or surrendering mobility to "help stop global warming."

3. ECONOMIC ANALYSIS REVEALS STATE PROGRAMS WOULD BE IMMENSELY COSTLY.

Econometric models show a *national* program to reduce U.S. greenhouse gas emissions to 7 percent below 1990 levels by 2012 would cause states to lose \$116 billion a year in revenues. Such a program would destroy 2.4 million jobs and \$375 billion in annual economic output by 2010.

States that try to reduce emissions on their own incur costs *10 times* as great as would result from a national program because businesses and residents would find it easier to move to nearby states with lower energy costs or less burdensome regulations, and because states would have to rely on more costly regulatory approaches.

The average state government would have to spend approximately \$530 million a year (\$55/ton) to implement a comprehensive greenhouse gas program and would lose \$2.6 billion a year in revenues, for a total annual cost of \$3.2 billion. **This is 28.6 percent of an average state government's revenues.**

Consumers and businesses in an average state would pay a staggering \$21.8 billion a year more for goods and services due to the higher cost of energy and migration of businesses and commerce to other states and countries. The cost to the average household could be \$10,000 a year, as much as two or three months of take-home pay. The table on the following page highlights the projected impact of greenhouse gas programs on selected states.

4. THE BENEFITS OF GREENHOUSE GAS PROGRAMS WOULD BE SMALL OR EVEN NONEXISTENT.

Reducing greenhouse gas emissions produces little or no benefit to American consumers and businesses. If left unaddressed, by 2060 global warming is likely to have a small (0.2 percent of GDP) *positive* effect on the U.S. economy and a small (1 to 2 percent of GDP) *negative* effect on the global economy. After discounting for the fact that the benefits would begin to occur 50 years or longer in the future, the benefit of reducing emissions today is an order of magnitude less than the cost.

If even a small part of the money spent trying to reduce carbon dioxide emissions were spent instead on fighting hunger or disease in Third World countries, millions of lives could be saved. If left to wage earners here in the U.S. to spend, this would mean a significantly better quality of life for most families.

Possible Cost of State Greenhouse Gas Programs (to reduce emissions to 7 percent below 1990 levels)

STATE	% OF 2001 STATE REVENUES	PER HOUSEHOLD
Alabama	33%	\$13,200
California	23%	\$7,200
Colorado	38%	\$1,498
Connecticut	20%	\$6,200
Georgia	27%	\$9,600
Hawaii	14%	\$7,100
Illinois	32%	\$10,200
Iowa	27%	\$10,500
Louisiana	35%	\$26,600
Massachusetts	17%	\$6,300
Mississippi	28%	\$17,000
New Hampshire	54%	\$4,700
New Jersey	19%	\$8,200
New York	26%	\$7,600
North Carolina	27%	\$7,200
Ohio	28%	\$14,200
Pennsylvania	31%	\$11,300
Tennessee	34%	\$9,300
Vermont	27%	\$6,200
Virginia	29%	\$7,700
Washington	30%	\$5,300
Wisconsin	26%	\$9,300
37-state average	29%	\$10,000

5. WHY REDUCING GREENHOUSE GASES IS SO EXPENSIVE.

"Free" energy conservation opportunities do not amount to more than a small percentage of the reductions in energy use called for by advocates of greenhouse gas reductions. Reducing greenhouse gas emissions is costly because increases in the emissions of other countries or states offset some or all of a state's reductions; complying with regulations costs four to six times as much as the least-costly solution; higher energy prices slow economic growth; alternative fuels are expensive and rarely used; and retiring capital prematurely costs many billions of dollars.

Mandating lower emissions from cars and trucks is not a promising route to travel. Car and truck manufacturers will simply lower the average fuel economy of cars sold outside the state, cancelling any reduction in emissions. Mandating higher fuel efficiency leads consumers to buy heavier or more powerful vehicles or to travel more.

State-level programs cannot exploit low-cost opportunities to reduce emissions outside the state's borders or across industry lines. An emission permit trading program in a single state is unlikely to attract significant participation, and therefore unlikely to significantly reduce the cost of reducing greenhouse gas emissions. Even a national program is likely to be beset by litigation due to questions of measurement, verification, and enforcement.

6. SCIENTIFIC ANALYSIS SHOWS GLOBAL WARMING THEORY IS TOO UNCERTAIN TO JUSTIFY GREENHOUSE GAS REDUCTION EFFORTS.

There is no reliable evidence that global warming is occurring. The temperature record regularly referred to in media reports is inaccurate and contaminated by urban heat island effects. More reliable satellite and weather balloon data show no warming trend. Most scientists are familiar with these data and

do not believe human activities are threatening to disrupt the Earth's climate: More than 17,000 scientists have signed a petition disputing alarmist predictions of catastrophic climate change.

The reports of the Intergovernmental Panel on Climate Change contain much valuable and credible information about climate change, but they have been misrepresented to policymakers and the general public. The reports themselves—as distinguished from the "summaries for policymakers"—express great uncertainty about the underlying dynamics of the global climate and skepticism that accurate forecasts are possible. They include among their contributors many prominent "skeptics" who do not believe global warming is a threat.

A small amount of warming, should it occur, would be beneficial to human health, agriculture, and wildlife. Carbon dioxide is a natural fertilizer, so higher concentrations in the air have beneficial effects on forests and agriculture. Most warming is likely to occur in the coldest regions of the world and during winter months.

State programs to reduce anthropogenic greenhouse gas emissions will have no measurable effect on the global climate for decades or even centuries to come. The problem is not greenhouse gas *emissions* but *concentrations*, which require massive reductions in emissions to change, and even then would change very slowly. There is no scientific or economic reason to reduce emissions now, at a high price, rather than wait for technology and science to produce lower-cost opportunities.

7. RECOMMENDATIONS TO POLICYMAKERS.

States facing record budget deficits due to lower-than-expected revenues in 2002 and 2003 should not adopt greenhouse gas reduction programs that cost taxpayer dollars, destroy jobs, and do nothing to protect the environment. A strong case can be made for repealing programs already in place.

Three alternatives to reducing greenhouse gas emissions that avoid the pitfalls of those efforts are:

- *Repeal laws that discourage energy conservation:* Obsolete or overly specific building codes often prohibit the use of building designs, such as geodesic domes, that conserve construction material and reduce heating requirements. Zoning ordinances often prohibit solar panels for hot water or electric power generation and multiple land uses that would reduce the need to travel. Command-and-control environmental regulations often stymie the development and use of the lowest-cost emissions control technology.

- *Encourage sequestration:* States can encourage farmers to sequester greater amounts of carbon dioxide by including the latest research and tips on low-till techniques in their seminars and other agricultural programs. Where appropriate, farmers who use these techniques should get credit for the beneficial effects on neighboring streams. Similarly, forestry can play a much bigger role in battling global warming by allowing responsible logging, reducing fire risks, and planting more trees.

- *Encourage adaptation:* Carefully targeted investments can be made to public infrastructure where they are needed. For example, higher sea levels, should they occur, could be addressed by modest improvements to dikes and seawalls in some areas, and by relocating homes and businesses in other areas. This cost—spread out over the course of a century—would be a small fraction of the cost of attempting to prevent climate change through energy taxes or emission caps. Making infrastructure stronger and more efficient is often the right thing to do regardless of climate considerations. 

Recycling: Your Time Can Be Better Spent!

by Jay Lehr Ph.D.

Many people believe recycling either pays for itself or is worth the cost. Both positions are wrong. Every community recycling program in America today costs more than the revenue it generates. The value of recycled materials on the open market has declined dramatically in recent years, and in many cases there is no market at all.

Aluminum—once the most valuable recycled resource, worth 60 cents a pound—is now worth about 20 cents a pound. Modern aluminum cans are thinner (you may have noticed) and have one-half the aluminum they had 30 years ago. Today, one must collect six cans to get the same economic return delivered by one can three decades ago.

While the payout for recyclables has fallen, the cost of recycling has risen. The labor needed to collect, sort, and clean recyclables is more expensive than it used to be, as is the fuel, trucks, and facilities used in the process. The market for most products manufactured from recycled materials is largely supported by government subsidies or government programs requiring recycled content in certain products.

STILL WORTH DOING?

Some people believe recycling is nevertheless worth doing because, they believe,

- Recycling conserves valuable material resources, many of which are in short supply.
- Recycling means we use less landfill space, which is also in short supply ... and unsafe.
- Recycling is "good for the environment."

Recycling is, in fact, good only for the human psyche. We get a warm and fuzzy feeling when we recycle, even though we are wrong to feel that way.

We are not running out of, nor will we ever run out of, any of the resources we recycle. We are not cutting down "endangered forests" today to make paper. We plant far more trees than we harvest each year. Wood is in ample supply.

Similarly, glass is made from silica dioxide—common beach sand—the most abundant mineral in the crust of the Earth. Plastic is derived from petroleum byproducts after fuel is harvested from the raw material. While this supply has some limits, we can now create plastic from plant material grown on farms.

Nor are we running out of landfill space. All the garbage we will generate in the next 10 centuries will require less than 35 square miles to a height of only 300 feet. While people rarely want landfills in their backyards, they can be excellent neighbors, contributing wonderful parklands

to our communities. Landfills are no longer a threat to the environment or public health. State-of-the-art landfills, with redundant clay and plastic liners and leachate collection systems, have now replaced all of our previously unsafe dumps.

The biggest fallacy is the "it's good for the environment" argument that we save energy and water resources by recycling. In fact, manufacturing paper, glass, and plastic from recycled materials uses appreciably more energy and water and produces as much or more air pollution as manufacturing from raw materials.

AN HONEST, ECONOMICAL APPROACH

Nevertheless, the recycling ethic does have an important place in society. Eliminating waste in honest and economic ways will always benefit society.

The best answer is a "pay as you throw" program, where solid waste collection is paid for not by taxpayers generally, but by individuals or households based on the volume of garbage they discard. In some communities today, families must buy special trash bags that hold their waste for disposal. The more trash bags they use, the more they pay. To lower their costs, they can alter their buying and disposal habits. They can buy products with less packaging. They can compost organic wastes. They can reuse many of their waste materials.

Finally, and I believe most importantly, the human effort donated by the public to support recycling can be donated instead to other, more beneficial programs. I am a bleeding heart liberal when it comes to improving the human condition. I do not believe recycling does this.

Recycling requires a great deal of contributed labor by every person in a community. That time—perhaps an hour per week, roughly half a day per month—could be more productively contributed to efforts to reduce homelessness, crime, alcoholism, and drug addiction, and to improve education and cope with teenage pregnancy.

Your town needs your help: at a homeless shelter or soup kitchen, counseling alcoholics or drug addicts, serving as a crime watch block parent, volunteer aide in schools, or teenage counselor. Your most valuable asset is your time. Give it where it will have the greatest impact. Recycling is not one of those places.

Dr. Jay Lehr is science director for The Heartland Institute.

I am a bleeding heart liberal when it comes to improving the human condition. I do not believe recycling does this.

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518 Magnolia Avenue
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1601 North Tucson Boulevard #9
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Center for Environmental Education Research
3432 North Eagle Road
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Goldwater Institute
500 East Coronado Road
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8655 East Via de Ventura #G-360
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111 Center Street #1616
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805/445-9183
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Los Angeles, CA 90035
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Civil Justice Association of California
1201 K Street #1960
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Claremont Institute
1127 11th Street #206
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1611 Telegraph Avenue #902
Oakland, CA 94612
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836B Southampton Road #299
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707/746-8796, fax 707/746-8797

National Tax Limitation Committee
151 North Sunrise Avenue #901
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Pacific Legal Foundation
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<http://www.sepschool.org>

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Center for the New West
1625 Broadway #720
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<http://www.newwest.org>

Focus on the Family
PO Box 35500
Colorado Springs, CO 80935-3550
719/531-3400, fax 719/531-3359
<http://www.family.org>

Independence Institute
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American Enterprise Institute
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American Association of Small Property Owners
4200 Cathedral Avenue NW #515
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202/625-8330, fax 202/363-3669

American Tort Reform Association
1850 M Street NW #1095
Washington, DC 20036
202/682-1163, fax 202/682-1002

American Legislative Exchange Council
1129 20 Street NW #500
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<http://www.alec.org>

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Americans for Technology Leadership
1413 K Street NW - 12th Floor
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Association for Competitive Technology
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Bill of Rights Foundation
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Capital Research Center
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Cato Institute
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202/842-0200, fax 202/842-3490
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Center for Individual Rights
1233 20th Street NW #300
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Center for Media and Public Affairs
2100 L Street NW #300
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Center for Public Justice
PO Box 48368
Washington, DC 20002-0368
866/275-8784, fax 410/571-6365
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Center for Private Conservation
809 Virginia Avenue SE
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Center for Regulatory Effectiveness
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Consumer Alert
1001 Connecticut Avenue NW #1128
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Consumers' Research
800 Maryland Avenue NE
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Defenders of Property Rights
1350 Connecticut Avenue NW #410
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Free Market Think Tanks and Advocacy Groups, By State

Education Leaders Council

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Education Policy Institute

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Employment Policies Institute

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Families against Mandatory Minimums Foundation

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Family Research Council

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Federalist Society

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Federation for American Immigration Reform

1666 Connecticut Avenue NW #400
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Free Congress Foundation

717 Second Street NE
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Fund for American Studies

1706 New Hampshire Avenue NW
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George C. Marshall Institute

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Heritage Foundation

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Institute for Health Freedom

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Institute for Independent Education

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Institute for Justice

1717 Pennsylvania Avenue NW #200
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Jewish Policy Center

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Washington, DC 20009
202/547-7706, fax 202/544-2434

Latino Coalition

725 Massachusetts Avenue NE
Washington, DC 20002
202/546-0008, fax 202/546-0807

Lincoln Review

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Local Government Council

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Manufacturing Institute

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National Center for Neighborhood Enterprise

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<http://www.ncne.com>

National Center for Public Policy Research

777 North Capitol Street NE #80
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<http://www.nationalcenter.org>

National Chamber Foundation

1615 H Street NW
Washington, DC 20062
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National Federation of Independent Business

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National Legal Center for the Public Interest

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<http://www.nlcpi.org>

National Rifle Association

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<http://www.nra.org>

National Wilderness Institute

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Philanthropy Roundtable

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Progress & Freedom Foundation

1401 H Street NW #1075
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Small Business Survival Committee

1920 L Street NW #200
Washington, DC 20006
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Tax Foundation

1900 M Street NW #550
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<http://www.taxfoundation.org>

Tech Central Station

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Thomas B. Fordham Foundation

1627 K Street NW #600
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<http://www.termlimits.org>

Washington Legal Foundation

2009 Massachusetts Avenue NW
Washington, DC 20036
202/588-0386, fax 202/588-0302

FLORIDA

Family First

101 East Kennedy Boulevard #1070
Tampa, FL 33601
813/222-8300
<http://www.familyfirst.net>

James Madison Institute

PO Box 37460
Tallahassee, FL 32315-7460
850/386-3131, fax 850/386-1807
<http://www.jamesmadison.org>

Law and Economics Center

PO Box 248000
Coral Gables, FL 33124
305/284-6174, fax 305/662-9159

Stavros Free Enterprise Education

4202 Fowler Avenue
Tampa, FL 33620

GEORGIA

Advocates for Self-Government

5 South Public Square #304
Cartersville, GA 30120
770/386-8372, fax 770/386-8373
<http://www.self-gov.org>

Georgia Family Council

5380 Peachtree Industrial Boulevard #100
Norcross, GA 30071
770/242-0001, fax 770/242-0501
<http://www.gafam.org>

Georgia Public Policy Foundation

6100 Lake Forrest Drive NW #110
Atlanta, GA 30328-3835
404/256-4050, fax 404/256-9909
<http://www.gppf.org>

Southeastern Legal Foundation

3340 Peachtree Road NE #2515
Atlanta, GA 30326
404/365-8500, fax 404/365-0017

HAWAII

Grassroot Institute of Hawaii

PO Box 1046
Aiea, HI 96701
808/487-6401, fax 808/484-0117

Research Institute for Hawaii

1188 Bishop Street #711
Honolulu, HI 96813
808/524-1890, fax 808/524-1815

IDAHO

American Family Institute

1547 Parkwood Circle
Idaho Falls, ID 83401-3971

Blue Ribbon Coalition, Inc.

PO Box 5449
Pocatello, ID 83202
208/233-6570

Center for the Study of Market Alternatives

11409 Hickory Hill Court
Boise, ID 83713
208/454-1984

People for the USA

PO Box 422
Silverton, ID 83867
208/753-7537, fax 208/752-0114

ILLINOIS

Family Taxpayers Network

8 East Main Street
Carpentersville, IL 60110
847/428-0363, fax 847/428-9206

Great Lakes Sport Fishing Council

PO Box 297
Elmhurst, IL 60126
630/941-1351, fax 630/941-1196

Heartland Institute

19 South LaSalle Street #903
Chicago, IL 60603
312/377-4000, fax 312/377-5000
<http://www.heartland.org>

Henry George School

1017 Mulford
Evanston, IL 60202
312/362-9302, fax 847/864-6794

Howard Center

934 North Main Street
Rockford, IL 61103
815/964-5819, fax 815/965-1826

Illinois Family Institute

799 Roosevelt Road #3-218
Glen Ellyn, IL 60137
630/790-8370, fax 630/790-8390

Illinois Policy Institute

718 South 7th Street #305
Springfield, IL 62703
217/544-4759

Impact Voters of America

1140 Half Day Road
Deerfield, IL 60015
847/948-1158, fax 847/948-1158

Lincoln Legal Foundation

100 West Monroe #2101
Chicago, IL 60603
312/606-0876, fax 312/606-0879

National Taxpayers United of Illinois

407 South Dearborn #1170
Chicago, IL 60605
312/427-5128, fax 312/427-5139

New Coalition at The Heartland Institute

19 South LaSalle Street #903
Chicago, IL 60603
312/377-4000, fax 312/377-5000
<http://www.newcoalition.org>

Rockford Institute

928 North Main Street
Rockford, IL 61103
815/964-5053, fax 815/964-9403
<http://www.chroniclesmagazine.org>

INDIANA

Hudson Institute
Herman Kahn Center, 5395 Emerson Way
Indianapolis, IN 46226
317/545-1000, fax 317/545-9639
<http://www.hudson.org>

Indiana Policy Review Foundation
PO Box 12306
Fort Wayne, IN 46863-2306
317/236-7360, fax 317/236-7370
<http://www.inpolicy.com>

Leadership Councils of America
392 South 200 West
Valparaiso, IN 46384
219/462-3728, fax 219/462-3728

Liberty Fund
8335 Allison Pointe Trail #300
Indianapolis, IN 46250-1684
317/842-0880, fax 317/577-9067

Milton & Rose Friedman Foundation
One American Square #2440
Indianapolis, IN 46282
317/681-0745, fax 317/681-0945
<http://www.friedmanfoundation.org>

IOWA

Council for Agricultural Science and Technology
4420 West Lincoln Way
Ames, IA 50014-3447

Iowans for Tax Relief
PO Box 747
Muscatine, IA 52761
319/264-8080, fax 319/264-2413

Public Interest Institute
600 North Jackson Street
Mt. Pleasant, IA 52641
319/385-3462, fax 319/385-3799
<http://www.limitedgovernment.org>

Tax Education Foundation
2610 Park Avenue
Muscatine, IA 52761
319/264-8080, fax 319/264-2413

KANSAS

Flint Hills Center for Public Policy
PO Box 782317
Wichita, KS 67278-2317
316/634-0218, fax 316/634-0219
<http://www.flinthills.org>

Kansas Taxpayers Network
PO Box 20050
Wichita, KS 67208-1050
316/684-0082, fax 316/684-7527
<http://www2.southwind.net/~ktn>

KENTUCKY

Family Foundation
PO Box 22100
Lexington, KY 40522
606/255-5400
<http://www.tfkky.org>

MAINE

Sovereignty International
1229 Broadway #313
Bangor, ME 04401
207/945-9878, fax 207/942-6465

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Annapolis Institute
1831 K Forest Drive
Annapolis, MD 21401
410/263-5660, fax 410/268-0184

Calvert Institute for Policy Research
250 West Pratt Street #16
Baltimore, MD 21201-2423
410/662-7252, fax 410/662-7254

Incentive Taxation

10528 Cross Fox Lane
Columbia, MD 21044

Junk Science Home Page
12309 Briarbrush Lane
Potomac, MD 20854
301/258-9320, fax 301/330-3440

Maryland FREE
10 Light Street #300B
Baltimore, MD 21202
410/547-1295, fax 410/539-3126

Maryland Public Policy Institute
PO Box 195
Germantown, MD 20875-0195
240/686-3510, fax 240/686-3511

Minaret of Freedom Institute
4323 Rosedale Avenue
Bethesda, MD 20814
301/656-4714, fax 301/907-0947

National Humanities Institute
PO Box 1387
Bowie, MD 20718-1387
301/464-4277

Urban Mobility Corporation
10200 Riverwood Drive
Potomac, MD 20854-1536

MASSACHUSETTS

American Institute for Economic Research
PO Box 1000
Great Barrington, MA 01230
413/528-1216

Beacon Hill Institute for Public Policy Research
Suffolk University
8 Ashburton Place
Boston, MA 02108-2270
617/573-8750, fax 617/720-4272
<http://www.beaconhill.org>

Citizens for Limited Taxation
444 Taunton Street
Wrentham, MA 02093
508/384-0100, fax 508/384-9675

Institute for Children
124 Mt. Auburn Street # 2001 North
Cambridge, MA 02138
617/576-5790
<http://www.forchildren.org>

Institute for the Study of Economic Culture
10 Lennox Street
Boston, MA 02215
617/353-9050

National Bureau of Economic Research
1050 Massachusetts Avenue
Cambridge, MA 02138
617/868-3900
<http://www.nber.org>

New England Legal Foundation
150 Lincoln Street
Boston, MA 02111
617/695-3660, fax 617/695-3656

Pioneer Institute for Public Policy Research
85 Devonshire Street - 8th Floor
Boston, MA 02109
617/723-2277, fax 617/723-1880
<http://www.pioneerinstitute.org>

MICHIGAN

Acton Institute
161 Ottawa Avenue NW #301
Grand Rapids, MI 49503
616/454-9454, fax 616/454-3080
<http://www.acton.org>

American Freedom Coalition
1152 Maryland Street
Grosse Pointe, MI 48230-1307
313/352-8946

Center for the Study of Compassionate Conservatism

517 Bayberry Point Drive NW #A
Grand Rapids, MI 49544
616/453-2019
<http://www.compassionateconservative.cc>

Choices for Children
201 Monroe SW #300
Grand Rapids, MI 49503
616/458-3775, fax 616/458-3965

Citizens Research Council
38777 Six Mile Road #201A
Livonia, MI 48152-2660
734/542-8001, fax 734/542-8004

Mackinac Center for Public Policy
140 West Main Street
Midland, MI 48640
989/631-0900, fax 989/631-0964
<http://www.mackinac.org>

Michigan School Board Leaders Association
PO Box 608
Davison, MI 48423
810/658-7667, fax 810-658-7557

Philadelphia Society
11620 Rutan Circle
Jerome, MI 49249-9530
517/688-5111, fax 517/688-5113

Russell Kirk Center
PO Box 4 Piety Hill
Mecosta, MI 49332
231/972-7655, fax 231/972-8078

MINNESOTA

Center of the American Experiment
12 South 6th Street #124
Minneapolis, MN 55402
612/338-3605, fax 612/338-3621
<http://www.amexp.org>

Citizens' Council on Health Care
1954 University Avenue West #8
St. Paul, MN 55104
612/646-8935, fax 612/646-0100
<http://www.cchc-mn.org>

Minnesota Family Council
2855 Anthony Lane South #150
Minneapolis, MN 55418-3265
612/789-8811, fax 612/789-8858
<http://www.mfc.org>

Taxpayers League
One Carlson Parkway #120
Plymouth, MN 55447
763/249-5955, fax 763/249-5960

MISSISSIPPI

Mississippi Family Council
PO Box 13514
Jackson, MS 39236
601/969-1200, fax 601/969-1600

MISSOURI

America's Future
7800 Bonhomme Avenue
St. Louis, MO 63105
314/721-3373, fax 314/721-3373
<http://www.americasfuture.net>

Center for the Study of American Business
1 Brookings Drive
St. Louis, MO 63130
314/935-5630

Constitutional Coalition
318 Clion Drive
St. Louis, MO 63141
314/434-7028, fax 314/878-6294

Eagle Forum
3930 Eiler
St. Louis, MO 63116
314/481-4609
<http://www.eagleforum.org>

Institute for the Study of Economics and the Environment

Lindenwood University
209 South Kingshighway
St. Charles, MO 63301
636/949-2000

Landmark Legal Foundation
3100 Broadway #1110
Kansas City, MO 64111
816/931-5559, fax 816/931-1115
<http://www.landmarklegal.org>

Missouri Family Network
PO Box 1288
Festus, MO 63028
314/483-2007

MONTANA

Alliance for America
5957 Champion Road
Libby, MT 59923
406/293-8821, fax 406/293-4739

Foundation for Research on Economics and the Environment (FREE)
945 Technology Boulevard #101F
Bozeman, MT 59718-4059
406/585-1776, fax 406/585-3000
<http://www.free-eco.org>

Fully Informed Jury Association
PO Box 59
Helmville, MT 59843
214/357-0902

PERC - Center for Free Market Environmentalism
502 S 19th Avenue #211
Bozeman, MT 59718-6827
406/587-9591, fax 406/586-7555
<http://www.perc.org>

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Niobrara Institute
PO Box 540787
Omaha, NE 68154-0787
402/293-3701

NEVADA

Nevada Policy Research Institute
2077 East Sahara Avenue #B
Las Vegas, NV 89104
702/222-0642, fax 702/227-0927
<http://www.npri.org>

NEW HAMPSHIRE

Coalition of New Hampshire Taxpayers
PO Box 6054
Amherst, NH 03031-6054
603/672-4836

Josiah Bartlett Center for Public Policy
PO Box 897
Concord, NH 03302-0897
603/224-4450, fax 603/224-4329
<http://www.jbartlett.org>

Simple Society
303 Amherst Street
Nashua, NH 03063
804/698-7510, fax 804/794-7238

NEW JERSEY

Dumont Institute
71 South Orange Avenue #BX260
South Orange, NJ 07079-1715
201/387-1456

National Association of Scholars
221 Witherspoon Street - 2nd Floor
Princeton, NJ 08542-3215
609/683-7878, fax 609/683-0316

Polynomics, Inc.
86 Maple Avenue
Morristown, NJ 07960

Free Market Think Tanks and Advocacy Groups, By State

Public Affairs Research Institute of New Jersey
164 Nassau Street, Princeton, NJ 08542
609/452-0220, fax: 609/452-1788
<http://www.nj.com/pari>

NEW MEXICO

New Mexico Independence Research Institute
Las Cruces, NM 88005
505/523-8800, fax 505/523-8800
<http://www.zianet.com/nmiri>

Rio Grande Foundation

PO Box 2015
Tijeras, NM 87059
505/286-2030, fax 505/286-2422
<http://www.riograndefoundation.org>

NEW YORK

American Council on Science & Health
1995 Broadway - 2nd Floor
New York, NY 10023-5860
212/362-7044, fax 212/362-4919
<http://www.acsh.org>

Atlantic Legal Foundation

150 East 42nd Street - 2nd Floor
New York, NY 10017
212/573-1960, fax 212/857-3653
<http://www.atlanticlegal.org>

Center for Civic Renewal

159 Delaware Avenue #301
Delmar, NY 12054
518/872-9230, fax 518/872-9290

Committee for Economic Development

261 Madison Avenue - 25th Floor
New York, NY 10016
212/688-2063, fax 212/758-9068

Foundation for Economic Education

30 South Broadway
Irvington on Hudson, NY 10533
914/591-7230, fax 914/591-8910
<http://www.fee.org>

Foundation for Education Reform & Accountability

4 Chelsea Park - 2nd Floor
Clifton Park, NY 12065
518/383-2598, fax 518/383-2841

Institute for American Values

1841 Broadway #211
New York, NY 10023
212/246-3942, fax 212/541-6665
<http://www.americanvalues.org>

Jerome Levy Economics Institute

PO Box 5000
Annandale-on-Hudson, NY 12504-5000
914/758-7700, fax 914/758-1149

Lindesmith Center - Drug Policy Foundation

925 Ninth Avenue
New York, NY 10019
212/548-0695, fax 212/548-4670
<http://www.lindesmith.org>

Manhattan Institute

52 Vanderbilt Avenue
New York, NY 10017
212/599-7000, fax 212/599-3494
<http://www.manhattan-institute.org>

Objectivist Center

11 Raymond Avenue #31
Poughkeepsie, NY 12603
800/374-1776, fax 914/471-6195

Privatization Research Organization

School of Public Affairs, Baruch College
17 Lexington Avenue
New York, NY 10110
212/802-5909
<http://www.baruch.cuny.edu/spa/research/privatization/privatization.html>

Public Policy Institute of New York

152 Washington Avenue
Albany, NY 12210
518/465-7511, fax 518/432-4537

Robert Schalkenbach Foundation

149 Madison Avenue #601
New York, NY 10016-6424
212/683-6424, fax 212/683-6454

NORTH CAROLINA

Christian Policy Research Institute
3102 Woodview Street
High Point, NC 27265
910/869-6250, fax 910/869-6280

John Locke Foundation

200 West Morgan Street #200
Raleigh, NC 27601
919/828-3876, fax 919/821-5117
<http://www.johnlocke.org>

North Carolina Education Reform Foundation

2713 Edinberg Drive
Winston-Salem, NC 27103
336/768-3567, fax 336/727-2880

Renewing American Civilization

3818 Walker Avenue
Greensboro, NC 27403-1914
910/333-9501, fax 910/333-9507

OHIO

Buckeye Institute for Public Policy Solutions
4100 North High Street #200
Columbus, OH 43214
614/262-1593, fax 614/262-1927
<http://www.buckeyeinstitute.org>

Environmental Education Enterprises

6011 Houseman Road
Ostrander, OH 43061
740/368-9393, fax 740/362-4339

Ashbrook Center for Public Affairs

Ashland University
401 College Avenue
Ashland, OH 44805
877/289-5411
<http://www.ashbrook.org>

Liberty Institute

13066 Coopermeadow Lane
Cincinnati, OH 54242
513/792-9693, fax 513/792-0242

OKLAHOMA

Oklahoma Council of Public Affairs
100 West Wilshire Boulevard #C3
Oklahoma City, OK 73116
405/843-9212, fax 405/843-9436
<http://www.ocpathink.org>

Oklahoma Family Policy Council

3908 North Peniel Avenue #100
Bethany, OK 73008-3458
405/787-7744, fax 405/787-3900

OREGON

American Institute for Full Employment
PO Box 1329
Klamath Falls, OR 97601
541/884-8952, fax 541/885-7454

Cascade Policy Institute

813 SW Alder #450
Portland, OR 97205-3112
503/242-0900, fax 503/242-3822
<http://www.cascadepolicy.org>

Thoreau Institute

P. O. Box 1590
Bandon, OR 97411
541/347-1517, fax 305/422-0379

PENNSYLVANIA

Allegheny Institute for Public Policy
305 Mt. Lebanon Boulevard #305
Pittsburgh, PA 15234
412/440-0079, fax 412/440-0085
<http://www.alleghenyinstitute.org>

Citizens against Higher Taxes

PO Box 343
Hershey, PA 17033
717/867-1490, fax 717/867-6124

Commonwealth Foundation for Public Policy Alternatives

225 State Street #302
Harrisburg, PA 17101-1129
717/671-1901, fax 717/671-1905
<http://www.commonwealthfoundation.org>

Foundation for Individual Rights in Education

210 West Washington Square #303
Philadelphia, PA 19106
215/717-3473, fax 215/717-3440

Freedoms Foundation at Valley Forge

Valley Forge, PA 19481
610/933-8825, fax 610/935-0522

Lincoln Institute

453 Springlake Road
Harrisburg, PA 17112
717/671-0776, fax 717/671-1176

Pennsylvania Family Institute

1240 North Mountain Road
Harrisburg, PA 17112
717/545-0600, fax 717/545-8107
<http://www.pafamily.org>

Pennsylvanians for Right to Work

225 State Street #300
Harrisburg, PA 17101
717/233-7227, fax 717/234-5588

Shenango Institute for Public Policy

PO Box 245
Grove City, PA 16127
724/450-0616, fax 724/458-2181
<http://www.shenangoinstitute.org>

Susquehanna Valley Center

PO Box 338
Hershey, PA 17033
717/361-8905, fax 717/361-8945

RHODE ISLAND

Rhode Island Wise Use
199 Austin Farm Road
Exeter, RI 02822
401/392-0212, fax 401/397-5507

Rhode Island Public Expenditure Council

300 Richmond Street #200
Providence, RI 02903
401/521-632, fax 401/751-1915

SOUTH CAROLINA

Center for Economic Personalism
1300 Longcreek Drive #825
Columbia, SC 29210-8367

Center for Policy and Legal Studies

201 Sirrine Hall, Clemson University
Clemson, SC 29634
846/656-3441, fax 846/656-4532
<http://freedom.clemson.edu>

South Carolina Policy Council

1323 Pendleton Street
Columbia, SC 29201
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<http://www.scpolicycouncil.com>

SOUTH DAKOTA

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Box 88138
Sioux Falls, SD 57109
603/332-2641, fax 630/338-3458

South Dakota Family Policy Council

PO Box 88007
Sioux Falls, SD 57109
fax 605/335-4029

TENNESSEE

Tennessee Family Institute
PO Box 23348
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Tennessee Institute for Public Policy

PO Box 23348
Nashville, TN 37202
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<http://www.tnppolicy.org>

TEXAS

Center for Economic Development

PO Box 310469
Denton, TX 76203-0469
940/565-4049, fax 940/565-4658

Center for the American Idea

9525 Kay Freeway #303
Houston, TX 77042

Children First America

4412 Spicewood Springs Road #201
Austin, TX 78759
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<http://www.childrenfirstamerica.org>

Every Church a School Foundation

9805 Walnut Street #C206
Dallas, TX 75243
972/699-3446, fax 972/699-3446

Free Enterprise Institute

9525 Katy Freeway #303
Houston, TX 77024-1415
713/984-1343, fax 713/984-0409

Houston Property Rights Association

PO Box 2125
Houston, TX 77252-2125
713/224-4144, fax 713/225-9811

Initiative for Texas

1750 Timber Ridge Road #116
Austin, TX 78741
512/347-1470, fax 512/447-2381

Institute for Energy Research

6219 Olympia
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713/266-3934, fax 713/971-1918

Institute for Policy Innovation

250 South Stemmons #215
Lewisville, TX 75067
972/874-5139, fax 972/874-5144
<http://www.ipi.org>

Liberty Matters

PO Box 1207
Taylor, TX 76574
800/847-0227
<http://www.libertymatters.org>

Lone Star Foundation

104 Racebrook Court
Austin, TX 78734
512/832-4702, fax 512/832-9905

National Center for Policy Analysis

12655 North Central Expressway #720
Dallas, TX 75243
214/386-6272, fax 214/386-0924
<http://www.ncpa.org>

Texas Justice Foundation

8122 Datapoint Drive #812
San Antonio, TX 78229
210/614-7157, fax 210/614-6656
<http://www.txjf.org>

Texas Public Policy Foundation

PO Box 40519
San Antonio, TX 78229
210/614-0080, fax 210/614-2649
<http://www.tppf.org>

UTAH

Sutherland Institute

111 East 5600 South #208
Murray, UT 84107
801/281-2081, fax 801/281-2414
<http://www.sutherlandinstitute.org>

USU Institute of Political Economy
Political Science Department
Logan, UT 84322-0725
435/797-1310, fax 435/797-3751

Utah Taxpayers Association
1578 W 1700 S #105
Salt Lake City, UT 84104
801/972-8814, fax 801/973-2324
<http://www.utahtaxpayers.org>

VERMONT

Ethan Allen Institute
4836 Kirby Mountain Road
Concord, VT 05824
802/695-1448, fax 802/695-1436
<http://www.ethanallen.org>

VIRGINIA

Alexis de Tocqueville Institution
1611 North Kent Street #901
Arlington, VA 22209
703/351-4969, fax 703/351-0090
<http://www.adti.net>

American Policy Center
98 Alexandria Pike #43
Warrenton, VA 22071
540/341-8911, fax 540/341-8917
<http://www.americanpolicy.org>

Atlas Economic Research Foundation
4084 University Drive #103
Fairfax, VA 22030-6803
703/934-6969, fax 703/352-7530
<http://www.atlasusa.org>

Center for Energy and Economic Development
333 John Carlyle Street #530
Alexandria, VA 22314-5745
703/684-6292, fax 703/684-6297

Citizens for an Alternative Tax System
7708 Shooting Star Drive
Springfield, VA 22152-3101
703/368-6113, fax 703/368-5843

Clare Boothe Luce Policy Institute
112 Elden Street #P
Herndon, VA 20170
703/318-0730, fax 225/344-9006

Committee for a Constructive Tomorrow
PO Box 218
Clearbrook, VA 22624
202/429-2737
www.cfact.org

Congressional Institute
401 Wythe Street #2a
Alexandria, VA 22314
703/837-8812, fax 202/547-3556
<http://www.conginst.org>

Council for Affordable Health Insurance
2000 North 14th Street #450
Arlington, VA 22201
703/836-6200
<http://www.cahi.org>

Frontiers of Freedom Institute
12011 Lee Jackson Memorial Highway
Fairfax, VA 22033
703/246-0110, fax 703/246-0129
<http://www.ff.org>

Future of Freedom Foundation
11350 Random Hills Road #800
Fairfax, VA 22030
703/934-6101, fax 703/352-8678
<http://www.fff.org>

Galen Institute
11707 Sumacs
Oakton, VA 22124
703/620-9496, fax 703/519-0224

Gun Owners of America
8001 Forbes Place
Springfield, VA 22151
703/321-8585, fax 703/321-8408
<http://www.gunowners.org>

Home Schooling Legal Defense Association
PO Box 3000
Purcellville, VA 20134
540/338-5600, fax 540/338-1952

Institute for Humane Studies
3401 North Fairfax Drive
Arlington, VA 22201-4432
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<http://www.theihs.org>

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Arlington, VA 22201
703/247-2000, fax 703/247-2001

Lexington Institute
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Arlington, VA 22209
703/522-5828, fax 703/522-5837

Manufacturers Alliance
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Arlington, VA 22209-2411
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Mercatus Center
3401 North Fairfax Drive #450
Arlington, VA 22201-4433
703/993-4930, fax 703/993-4935
<http://www.mercatus.org>

National Right to Work Legal Defense Foundation
8001 Braddock Road
Springfield, VA 22160
800/336-3600, fax 703/321-9613
<http://www.nrtw.org>

National Taxpayers Union
108 North Alfred Street
Alexandria, VA 22314
202/789-8153, fax 703/683-5722
<http://www.ntu.org>

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527 Maple Avenue East - 3rd Floor
Vienna, VA 22180
703/242-3575
<http://www.psrff.org>

Rutherford Institute
PO Box 7482
Charlottesville, VA 22906
804/978-3888, fax 804/978-1789

Science & Environmental Policy Project
1600 South Eads Street #712-S
Arlington, VA 22202-2907
703/920-2744
<http://www.sepp.org>

Seniors Coalition
9001 Braddock Road #200
Springfield, VA 22151
703/239-1960, fax 703/239-1985

Stateside Associates
2300 Clarendon Boulevard - 4th Floor
Arlington, VA 22201-3367
703/525-7466, fax 703/525-7057

Think Tanks Network
2210 Wilson Boulevard #522
Arlington, VA 22201-3384
202/363-0863, fax 202/363-2301

Thomas Jefferson Institute for Public Policy
9035 Golden Sunset Lane
Springfield, VA 22153
703/440-9447, fax 703/455-1531
<http://www.thomasjeffersoninst.org>

United Seniors Association
3900 Jermentown Road #450
Fairfax, VA 22030-4900
800/887-2872, fax 703/359-6510

Virginia Institute for Public Policy
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Potomac Falls, VA 20165-4791
703/421-8635, fax 703/421-8631
<http://www.virginiainstitute.org>

Young America's Foundation
110 Elden Street
Herndon, VA 20170
703/318-9608, fax 703/318-9122

WASHINGTON

American Land Rights Association
PO Box 400
Battle Ground, WA 98604
360/687-3087, fax 360/687-2973
<http://www.landrights.org>

Center for the Defense of Free Enterprise
12500 Northeast 10th Place
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206/455-5038, fax 206/451-3959

Center for Long-Term Care Financing
11418 NE 119th Street
Bellevue, WA 98004
425/476-6840, fax 425/467-6829
<http://www.centerlrc.org>

Citizens for the Second Amendment
1325 Oak Street
Kettle Falls, WA 99141
509/738-2318, fax 509/738-2117

Discovery Institute
1402 Third Avenue #400
Seattle, WA 98101
206/292-0401, fax 206/682-5320
<http://www.discovery.org>

Evergreen Freedom Foundation
PO Box 552
Olympia, WA 98507
360/956-3482, fax 360/352-1874
<http://www.efwfa.org>

Toward Tradition
PO Box 58
Mercer Island, WA 98040
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Washington Institute Foundation
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Seattle, WA 98106
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Seattle, WA 98106
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Washington Research Council
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Seattle, WA 98104-3408
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WISCONSIN

American School Reform Foundation
2025 N. Summit Avenue #103
Milwaukee, WI 53202
414/319-9160, fax 414/765-0220

Groundswell
1118 Central Avenue
Beloit, WI 53511

National Motorists Association
402 West 2nd Street
Waunakee, WI 53597
608/849-6000, fax 608/849-8697
<http://www.motorists.org>

Partners Advancing Values in Education
1841 North Martin Luther King Drive #200
Milwaukee, WI 53212-3639
414/263-2970, fax 414/263-2975

Public Policy Forum
633 West Wisconsin Avenue #406
Milwaukee, WI 53203-1918
414/276-8240

Taxpayers Network Inc.
W67 N222 Evergreen Boulevard #202
Cedarburg, WI 53012-2645
262/375-4190, fax 262/375-3732
<http://www.taxpayersnetwork.org>

Wisconsin Policy Research Institute
PO Box 487
Thiensville, WI 53092
262/241-0514, fax 262/241-0774
<http://www.wpri.org>

Wisconsin Taxpayers Alliance
335 West Wilson Street
Madison, WI 53703-4581
608/255-4581

WYOMING

Abundant Wildlife Society of North America
12665 Hwy 59 N
Gillette, WY 82716
307/682-2826

**Wyoming Business Alliance/
Wyoming Heritage Foundation**
145 South Durbin #101
Casper, WY 82601
307/577-8000
<http://www.wba.wcn.com>

CANADA

Environment Probe
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Toronto, ON M5S 2M6
416/964-9223

Fraser Institute
1770 Burrard Street - 4th Floor
Vancouver, BC V6J3G7
604/688-0221, fax 604/688-8539
<http://www.fraserinstitute.ca>

Institut Economique de Montreal
6418 rue St-Hubert, 2e etage
Montreal, QB H2S 2M2
514/273-0969, fax 514/273-0967

St. Lawrence Institute
PO Box 307, NDG Station
Montreal, QB H4A 3P6
514/233-8321, fax 514/489-0312
<http://www.stlawrenceinstitute.org>

Urban Renaissance Institute
225 Brunswick Avenue
Toronto, ON M5S 2M6

ENGLAND

Adam Smith Institute
23 Great Smith Street
London, SW1P 3BL
44 020 7222 4995, fax 44 020 7222 7544
<http://www.adamsmith.org.uk>

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London, SW1P 3QL
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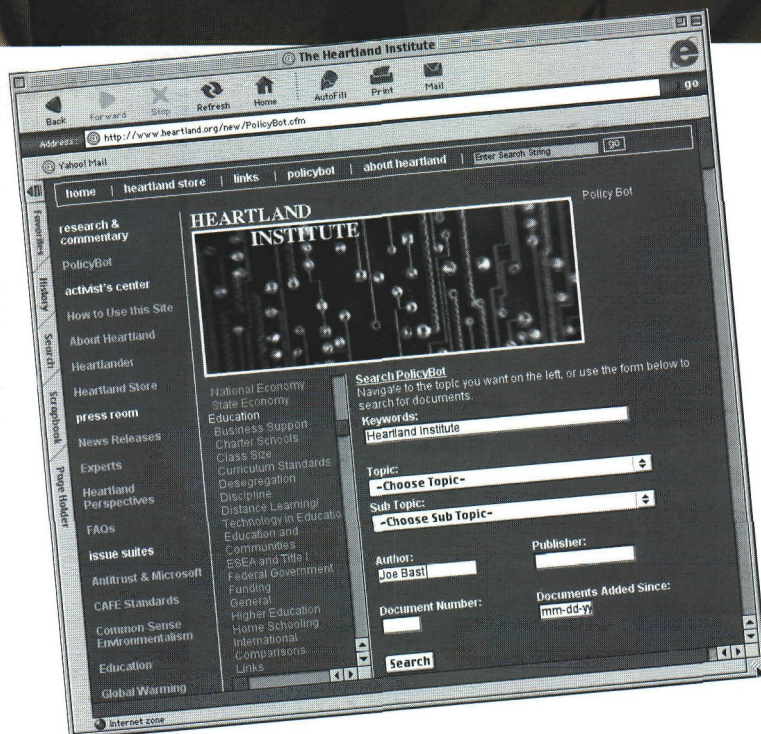
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London, SW1P 3LB
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